GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:4038
ANSWERED ON:23.03.2001
FLUCTUATIONS IN COST OF SUGAR
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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether there were wide fluctuations in handling, administrative and storage charges, carrying cost of buffer stock of sugar going up from Rs.1.46 crore in 1994-95 to Rs. 177.49 crore in 1997-98;

(b) if so, the reasons therefor; and

(c) the steps taken to reduce the cost/fluctuation of charges?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (S SREENIVASA PRASAD)

(a),(b) & (c) : The Central Government having regard to the stock of sugar held withthe Sugar undertakings, the prospects of sugar production, the requirement of sugar for consumption with in the country and exports and such other relevant factors as may be considered necessary, may decide that a certain quantity of sugar is required to be maintained as buffer stock by the individual sugar factories. For the period for which the buffer stock is maintained , the Central Government authorises payment of subsidy towards interest, storage and insurance charges in accordance with the terms and the extent provided for in the SDF Rules, 1983.Such payment in respect of interest is made only when the buffer stock has been pledged with a scheduled bank. Further, such payments are made after the sugar mills have preferred claims for the amounts of interest, storage and insurances charges.

In 1994-95, an amount of Rs. 1.46 crores was paid as subsidy on the basis of claims finalized for payment during that year in respect of a buffer stock of 5 lakh tonnes of free sale sugar decided to be held from 1.4.93 to 30.9.93.

A buffer stock was created again from 10.1.96 to 9.7.98 which was as follows - 5 lakh MT of free sale sugar from 10.1.96 to 9.1.97 later extended upto 9.7.98 and a buffer of 5 lakh MT of free sale sugar from 1.12.96 to 30.11.97. In 1997-98, an amount of Rs. 177.49 crores was paid as subsidy in respect of the buffer stock so held on basis of claims finalised in the year 1997-98.

These payments were not made for handling and administrative charges and as such the question of wide fluctuations does not arise. The difference in the payments made on buffer subsidy in 1994-95 and 1997-98 is mainly on account of the quantity of buffer stock, the duration for which they were held, and the number of claims settled.

As the buffer stock has been discontinued w.e.f. 9.7.1998, substantially lower subsidy payments have been made in later year.